

---

# **FISCAL YEAR 2005**

## **STATE OF DELAWARE**

### **GOVERNOR'S RECOMMENDED BUDGET**

The Governor's Recommended Budget is comprised of both summary (narrative) and detailed (numeric) information at statewide, department, appropriation unit (APU) and internal program unit (IPU) levels.

Volume I of the recommended budget contains the narrative presentation including the highlights. Statewide financial schedules appear in the Appendix.

Volume II contains the detailed numeric data at each level in the form of Budget Development and Information System (BDIS) reports including recommendations.

Please refer to the Table of Contents for page location of specific department information or financial statements.

---

# TABLE OF CONTENTS

	<b>Page</b>
<b>Financial Overview</b> .....	1
<b>Governor's Policy Overview</b> .....	3
<b>Financial Summary</b>	
<i>Budget Dollar Governor's Recommended Budget FY 2005</i> .....	6
<i>Estimated General Fund Revenue</i> .....	7
<i>General Fund Budget by Department by Fiscal Year</i> .....	8
<b>Financial Charts</b>	
<i>Fiscal Overview</i> .....	9
<i>Enacted and Recommended Funding Sources</i> .....	10

## DEPARTMENT NARRATIVES AND HIGHLIGHTS

Legislative .....	(01-00-00) .....	11
Judicial .....	(02-00-00) .....	15
Executive .....	(10-00-00) .....	41
Technology and Information .....	(11-00-00) .....	63
Other Elective .....	(12-00-00) .....	71
Legal .....	(15-00-00) .....	83
State .....	(20-00-00) .....	95
Finance .....	(25-00-00) .....	117
Administrative Services .....	(30-00-00) .....	125
Health and Social Services .....	(35-00-00) .....	141
Services for Children, Youth and Their Families .....	(37-00-00) .....	179
Correction .....	(38-00-00) .....	193
Natural Resources and Environmental Control .....	(40-00-00) .....	211
Safety and Homeland Security .....	(45-00-00) .....	241
Transportation .....	(55-00-00) .....	257
Labor .....	(60-00-00) .....	279
Agriculture .....	(65-00-00) .....	293
Elections .....	(70-00-00) .....	303
Fire Prevention Commission .....	(75-00-00) .....	311
Delaware National Guard .....	(76-00-00) .....	319
Advisory Council for Exceptional Citizens .....	(77-00-00) .....	321
Higher Education .....	(90-00-00) .....	323
Education .....	(95-00-00) .....	335

## APPENDIX

<b>Organization Chart of State Agencies</b> .....	351
<b>The Delaware Budget Process</b> .....	352
<b>Explanation of Financial Schedules</b> .....	354
<i>General Fund - Consolidated Statement of Revenues and Expenditures - Exhibit A</i> .....	355
<i>All Funds - Comparative Consolidated Statement of Revenues and Expenditures - Exhibit B</i> .....	360
<i>Capital Improvement Fund Expenditures Funding Sources - Exhibit C</i> .....	362
<b>Definition of Budgetary Terms</b> .....	363

# FINANCIAL OVERVIEW

## RECOMMENDED APPROPRIATIONS

The Governor's Fiscal Year 2005 Recommended General Fund operating budget is \$2,561.0 million. In addition, the Governor has set aside \$38.5 million for Grants-in-Aid, \$180.0 million in dedicated cash to the Bond and Capital Improvements Program, and \$20.0 million to debt reduction. Total recommended Fiscal Year 2005 General Fund appropriations are \$2,799.5 million. Total appropriations represent 98 percent of projected net Fiscal Year 2005 revenue plus carryover funds.

The Governor's Fiscal Year 2005 Recommended Bond and Capital Improvements Act totals \$592.7 million. Of this amount, \$319.0 million is recommended for state capital projects and \$273.7 million is recommended for transportation projects. Of the \$319.0 million, \$135.8 million is General Obligation Bond Authorization and \$183.2 million is recommended in other General Fund Revenue, reversions, reprogramming, and miscellaneous revenue.

Fiscal Year 2005 appropriations are based on Delaware Economic and Financial Advisory Council (DEFAC) General Fund revenue and expenditure estimates of December 15, 2003. The Governor has recommended adjustments to these figures that decrease the DEFAC revenue estimates by \$0.5 million in Fiscal Year 2004 and \$25.8 million in Fiscal Year 2005. These recommended adjustments are as follows:

- ◆ An increase of \$1.5 million in Abandoned Property for Fiscal Year 2005 due to increased audit activities.
- ◆ An increase of \$0.5 million in Other Revenue which is due to switch funding an equivalent amount of victim's services from Appropriated Special Funds to General Funds and adjusting the cap on the Victim's Compensation Fund accordingly.
- ◆ A \$0.5 million decrease in Lottery proceeds for Fiscal Year 2004 and Fiscal Year 2005 to be dedicated toward additional resources for the Delaware Standardbred Breeder's Fund.
- ◆ A \$27.3 million decrease in Hospital Board and Treatment Sales. This adjustment is due to a

change in the billing procedures for the state match for Medicaid eligible services provided in State operated institutions. An equivalent decrease in the Fiscal Year 2005 Recommended Budget will offset this revenue adjustment.

In addition, the Governor has recommended that the Fiscal Year 2004 reversion estimate be decreased by \$25.5 million. At the December 2003 meeting, DEFAC adopted a reversion estimate of \$36.5 million. This estimate includes \$25.5 million in surplus due to the temporary change in the Medicaid matching rate for the period April 1, 2003 – June 30, 2004. The Governor recommends these funds be continued into ensuing fiscal years and applied to the Medicaid program.

## DEFAC REVENUE FORECASTS

DEFAC has projected net revenue collections for Fiscal Year 2004 of \$2,618.6 million and \$2,742.6 million for Fiscal Year 2005. The highlights of the forecast include:

- ◆ **Personal Income Tax** - This tax, closely modeled after federal income tax law, is progressive in nature with marginal rates from zero to 5.95 percent. DEFAC estimates (after refunds) are \$743.7 million for Fiscal Year 2004 and \$793.7 million for Fiscal Year 2005.
- ◆ **Franchise Tax** - This tax is imposed upon domestic corporations incorporated in Delaware and is based on either the outstanding shares of stock of a corporation or on gross assets. DEFAC estimates (after refunds) are \$505.3 million for Fiscal Year 2004 and \$506.2 million for Fiscal Year 2005.
- ◆ **Business and Occupational Gross Receipts Tax** - This tax is imposed on the gross receipts of most businesses with tax rates ranging from .096 percent to 1.92 percent, depending upon the category of the business activity. DEFAC estimates are \$157.5 million for Fiscal Year 2004 and \$167.0 million for Fiscal Year 2005.
- ◆ **Lottery** - This category includes video lottery operations as well as traditional lottery sales. DEFAC estimates are \$223.6 million for Fiscal Year 2004 and \$232.1 million for Fiscal Year 2005.

## FINANCIAL OVERVIEW

- ◆ **Corporation Income Tax** - This tax is imposed on every domestic and foreign corporation doing business in Delaware, depending upon the amount of a corporation's taxable income that is apportioned and allocated to Delaware. DEFAC estimates (after refunds) are \$66.9 million for Fiscal Year 2004 and \$93.4 million for Fiscal Year 2005.
- ◆ **Bank Franchise Tax** - This tax is imposed on the net income of banks, trust companies and savings/building and loan associations and their subsidiaries. DEFAC estimates are \$136.1 million for Fiscal Year 2004 and \$146.2 million for Fiscal Year 2005.

## GOVERNOR'S POLICY OVERVIEW

Thanks to the bipartisan effort of the General Assembly—along with the dedication of hardworking state employees—Delaware weathered a national economic downturn better than most states. Delaware has been recognized nationally for making tough choices to cut the budgets and live within our means while protecting core state government services. For Fiscal Year 2005, we must continue to exercise fiscal restraint. We must stay the course: limit state expenditures without negatively impacting services, find innovative ways to make government more efficient and do more with less.

As we see the beginning of a forecasted economic recovery take hold in Delaware, it is critical to target additional resources to strengthen the economic base and improve the education of children and the health of citizens. Investing in the Minner-Carney Administration's proposed economic development package will strengthen and diversify Delaware's economy by identifying the successes of the future and laying the groundwork now to realize these goals. Completing the Administration's initiative to place reading resource teachers in every elementary school—along with providing more classroom technology and educator training—will help better prepare children for academics and for life. Funding the Administration's recommendations addressing the root causes, diagnosis, treatment and prevention of cancer will enable us to reduce the incidence and mortality of this serious disease.

The proposed Fiscal Year 2005 operating budget totals \$2,561.0 million. This budget will enable us to address the goals to which this Administration is committed:

- ◆ Schools that set high standards and prepare children for college, work, and life;
- ◆ A Livable Delaware that strengthens communities and preserves quality of life;
- ◆ Health, safety and self-sufficiency for every Delaware family;
- ◆ Economic development that nurtures and maintains high quality jobs; and
- ◆ A state government that is well-managed.

### SCHOOLS THAT SET HIGH STANDARDS AND PREPARE CHILDREN FOR COLLEGE, WORK AND LIFE

- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$119,300.0 for public education projects. These funds will be used for

school construction projects in the following school districts: Appoquinimink, Brandywine, Caesar Rodney, Cape Henlopen, Christina, Indian River, New Castle County Vo-Tech, Polytech, and Red Clay.

- ◆ The Governor recommends an increase of \$3,875.5 for the Department of Education in Reading Resource Teachers to complete the implementation of one reading resource teacher in each school with a grade configuration including any combination of grades kindergarten through fifth grade.
- ◆ The Governor recommends an increase of \$300.0 for the Department of Education in Adult Education/Work Force Training to eliminate the existing waiting list, a reduction of approximately 800 slots.
- ◆ The Governor is recommending an increase of \$950.0 for a total appropriation of \$3,050.0 for the Department of Education in Skills, Knowledge and Responsibilities Pay Supplements for supplemental pay associated with professional development clusters, National Board Certified Teachers and mentor stipends.
- ◆ The Governor recommends an increase of \$550.0 for a total appropriation of \$1,100.0 for the Department of Education in Professional Accountability and Instructional Advancement to enhance funding for educators and extend tuition reimbursement funding to paraprofessionals.
- ◆ The Governor is recommending a one-time appropriation of \$1,000.0 ASF from the Federal Fiscal Relief Fund for a Full Day Kindergarten Implementation Fund and \$50.0 in one-time funding for an Implementation Study.
- ◆ The Governor is recommending an appropriation of \$9,000.0 ASF from the Federal Fiscal Relief Fund for classroom textbooks and technology to enhance State and local classroom investments.
- ◆ The Governor recommends an appropriation of \$50.0 for the Delaware Higher Education Commission in Scholarships and Grants for the Delaware Teachers Corps for the purpose of recruiting new teachers.

### A LIVABLE DELAWARE THAT STRENGTHENS COMMUNITIES AND PRESERVES QUALITY OF LIFE

- ◆ The Governor's Recommended Bond and Capital Improvements Act includes \$43,500.0 for green infrastructure, farmland preservation, resource

## GOVERNOR'S POLICY OVERVIEW

conservation and development, and wastewater treatment. State taxpayers pay for roads, schools and other services demanded by new development. This Administration's Livable Delaware agenda for fighting sprawl maximizes these taxpayer investments by preserving open space and directing growth to areas where state, county and local governments are prepared for it.

- ◆ The Governor recommends appropriating \$1,000.0 ASF from the Federal Fiscal Relief Fund to the Advanced Planning and Acquisition Fund for the support of Livable Delaware goals through expenditures associated with advanced planning and site acquisition for proposed state facilities, pending proposed legislation.
- ◆ Recommended by the Governor is one-time funding of \$600.0 for Crop Insurance that will be used to provide cost share assistance to farmers.
- ◆ The Governor is recommending an additional \$50.0 to the Livable Delaware special line to provide additional technical assistance to towns as they develop their comprehensive land use plans and to support publication of materials to help towns develop, implement and update their plans and ordinances.

### HEALTH, SAFETY AND SELF-SUFFICIENCY FOR EVERY DELAWARE FAMILY

- ◆ The Governor is recommending \$9,842.5 in the Recommended Bond and Capital Improvements Act for the planning and construction of medical facilities, including the Veterans Home, the Stockley Medical Center and a new facility at the Delaware Psychiatric Center.
- ◆ The Governor recommends an increase of \$3,440.0 spread across the Department of Health and Social Services and the Department of Services for Children, Youth and Their Families for inflation and volume adjustments to service provider contracts.
- ◆ The Governor is recommending increases totaling \$2,492.6 and 37.0 FTEs for the Department of Correction to support the opening of the Women's Work Release Center, a Level IV facility solely for females, on the grounds of the Delores J. Baylor Correctional Institution.
- ◆ The Governor recommends an increase of \$1,613.0 to the Department of Health and Social Services,

Division of Developmental Disabilities Services for residential placements, special school graduates, and community placement of individuals from the Stockley Medical Center and adult foster care.

- ◆ The Governor recommends an appropriation of \$988.2 to implement several recommendations of the Task Force on Correctional Officer Compensation, Benefits, and Pension Issues.
- ◆ The Governor is recommending increases of \$96.1 and 1.8 FTE Troopers and \$210.2 ASF and 4.0 ASF FTEs Troopers for the Department of Safety and Homeland Security, Delaware State Police for additional police coverage in Sussex County.
- ◆ The Governor recommends appropriating \$1,000.0 ASF from the Federal Fiscal Relief Fund to support the Lt. Governor's and the Delaware Health Care Commission's expansion of Safety Net Providers in the Delaware Health Care Access Program, a program assisting low income persons find low-cost health services.
- ◆ The Governor is recommending the appropriation of \$10,000.0 ASF from the Federal Fiscal Relief Fund for the implementation of the Delaware Advisory Council on Cancer Incidence and Mortality's second-year recommendations for addressing the root causes, diagnosis, treatment and prevention of cancer. This appropriation is to be expended over a two-year period.
- ◆ The Governor recommends appropriating \$6,000.0 ASF to the Housing Development Fund from the Federal Fiscal Relief Fund to support the preservation of affordable housing through rehabilitation of existing housing units, leveraging federal subsidies for elderly and very low income families and providing a low-income housing initiative.
- ◆ The Governor is recommending an appropriation of \$3,000.0 ASF from the Federal Fiscal Relief Fund for the State Park Water Quality Initiative, a program intended to enhance the water infrastructure quality in Delaware State parks.
- ◆ In support of continuing the improvement of Foster Care, the Governor recommends an increase of \$130.0 in the Department of Services to Children, Youth and Their Families to annualize the Foster Care Board Program.
- ◆ The Governor is recommending an additional \$24,935.9 for Medicaid Non-State to cover projected inflation and volume increases to preserve

## GOVERNOR'S POLICY OVERVIEW

benefits for the most vulnerable, including children, elderly and disabled.

### **ECONOMIC DEVELOPMENT THAT NURTURES AND MAINTAINS HIGH QUALITY JOBS**

- ◆ The Governor's Recommended Bond and Capital Improvements Act recommends an appropriation of \$20,500.0 for the Governor's New Economy Initiative. The New Economy Initiative will include a Competitiveness Fund to spur new investments in existing facilities; provide seed funding for technology-based small businesses; make available venture capital funding to meet an identified need in Delaware; capitalize on areas of emerging technologies; support clean energy and fuel cell research; and invest in research and development. These initiatives will focus on diversification of Delaware's economy and foster a vibrant entrepreneurial culture in Delaware's business community. Funds from the New Economy Initiative will also be utilized to leverage federal funds to expand the experimental research center (Delaware Biotechnology Institute).

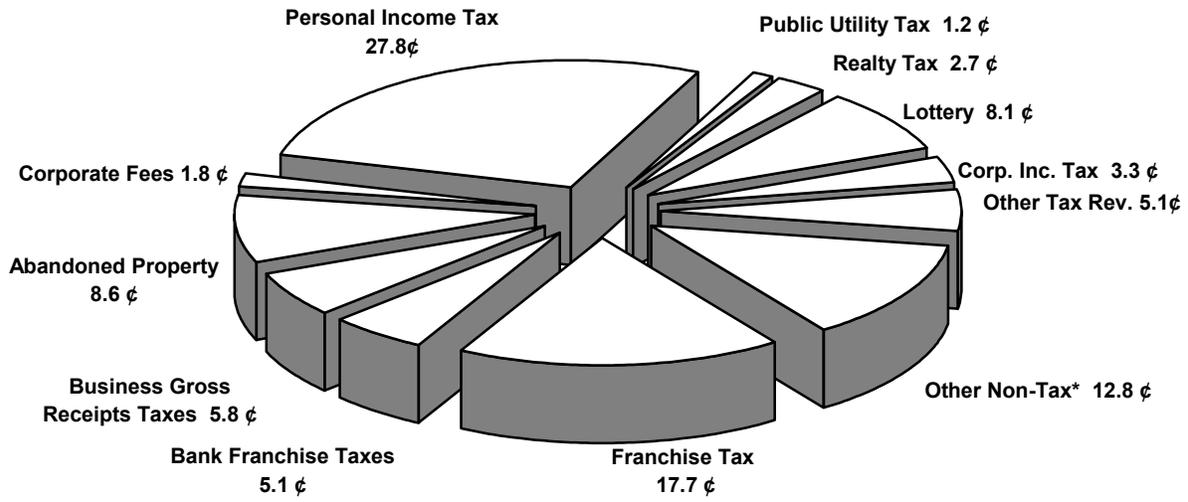
### **A STATE GOVERNMENT THAT IS WELL-MANAGED**

- ◆ The Governor recommends an appropriation of \$19,000.0 ASF from the Federal Fiscal Relief Fund to the Innovative Technology Fund to support the planning, development, procurement of technology projects to support agency operations and services to Delaware's citizens, primarily the enhancements to the State's existing 800 MHz system and Enterprise Resource Planning Financials package.
- ◆ The Governor is recommending several re-engineering efforts in the following agencies: Delaware Economic Development Office; creating a Customer Care Unit in the Department of Technology and Information; reallocating the Delaware Justice Information System (DELJIS) to the Department of Technology and Information; and establishing an emergency prevention and response unit as well as centralizing technology functions in the Department of Natural Resources and Environmental Control.
- ◆ The Governor recommends a supplemental appropriation of \$20,000.0 for a debt reduction initiative. This recommendation further demonstrates Delaware's conservative debt management policies and will be applied toward a deauthorization or defeasance of existing debt authorization.

# FINANCIAL SUMMARY

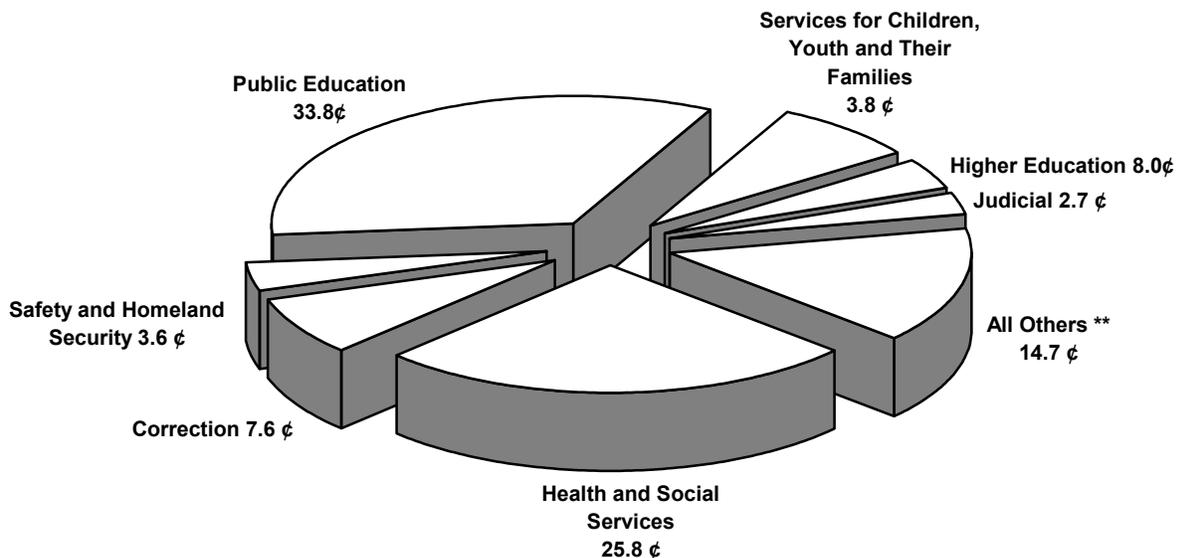
## BUDGET DOLLAR GOVERNOR'S RECOMMENDED BUDGET Fiscal Year 2005

### Sources of Funds (Net of Refunds)



\* Includes Prior Year Unencumbered Cash Balance

### Appropriations



\*\* Includes One-Time Items

## FINANCIAL SUMMARY

### Estimated General Fund Revenue

The Delaware Economic and Financial Advisory Council (DEFAC), at the December 15, 2003 meeting, adopted a Fiscal Year 2005 revenue estimate of \$2,742.6 million.

	(\$ MILLIONS)		
	2003 Actual*	2004 Forecast	2005 Forecast
<b>Revenue Categories</b>			
Personal Income Taxes	\$ 839.9	\$ 878.9	\$ 935.7
Corporation Income Taxes	108.5	109.4	128.4
Franchise Taxes	448.2	522.3	523.2
Business and Occupational Gross Receipts Taxes	147.6	157.5	167.0
Hospital Board and Treatment Sales	81.9	80.7	79.2
Dividends and Interest	20.8	17.0	17.6
Public Utility Taxes	32.8	33.0	34.2
Cigarette Taxes	36.7	71.0	80.8
Estate Taxes	39.3	16.7	9.2
Realty Transfer Taxes	66.0	78.0	78.0
Insurance Taxes	53.6	53.6	55.3
Abandoned Property	231.5	245.0	245.0
Corporate Fees	39.2	47.5	50.7
Bank Franchise Taxes	141.5	136.1	146.2
Lottery Sales	213.0	223.6	232.1
Limited Partnerships & Limited Liability Corporations	25.0	51.4	56.5
Uniform Commercial Code	16.4	13.5	13.8
Other Revenue by Department	118.3	100.4	103.8
<b>Total Receipts</b>	<b>\$ 2,660.0</b>	<b>\$ 2,835.6</b>	<b>\$ 2,956.7</b>
<b>LESS: Revenue Refunds</b>	<b>(223.6)</b>	<b>(217.0)</b>	<b>(214.1)</b>
<b>SUBTOTAL</b>	<b>\$ 2,436.4</b>	<b>\$ 2,618.6</b>	<b>\$ 2,742.6</b>
<b>PLUS: Abandoned Property</b>			1.5
<b>Other Revenue by Department</b>			0.5
<b>Hospital Board and Treatment Sales</b>			(27.3)
<b>Lottery Sales</b>		(0.5)	(0.5)
<b>TOTAL</b>	<b>\$ 2,436.4</b>	<b>\$ 2,618.1</b>	<b>\$ 2,716.8</b>

\* Amounts do not total due to rounding.

# FINANCIAL SUMMARY

## GENERAL FUND BUDGET BY DEPARTMENT BY FISCAL YEAR

	FISCAL YEAR 2004*	FISCAL YEAR 2005* RECOMMENDED
Legislative	\$ 12,028.2	\$ 12,179.0
Judicial	66,286.4	68,187.7
Executive	85,459.6 **	98,482.5 **
Technology and Information	29,309.4	32,972.5
Other Elective	44,198.7	65,137.7
Legal	28,605.1	30,553.6
State	14,679.9	14,784.9
Finance	17,159.4	17,937.9
Administrative Services	43,040.7	43,891.3
Health and Social Services	653,479.9	662,158.9
Children, Youth and Their Families	94,120.5	96,594.7
Correction	189,322.7	194,122.0
Natural Resources and Environmental Control	35,563.7	35,737.4
Safety and Homeland Security	90,994.1	92,233.5
Labor	6,126.2	6,198.6
Agriculture	6,599.0	6,726.8
Elections	3,308.3	3,447.1
Fire	3,897.9	3,923.2
National Guard	3,550.6	3,650.5
Exceptional Citizens	113.7	116.7
Higher Education	200,663.1	205,498.5
Public Education	816,596.2	866,431.8
<b>STATE TOTAL</b>	<b>\$ 2,445,103.3</b>	<b>\$ 2,560,966.8</b>

\* Does not include funding for Grants-in-Aid and cash to the Bond and Capital Improvements Act.

\*\* Includes One-Time Items to be allocated statewide.

## FINANCIAL CHARTS

### FISCAL OVERVIEW (\$ Million)

	Fiscal Year 2003 Actual*	Fiscal Year 2004 Estimated	Fiscal Year 2005 Projected
Revenue	\$ 2,436.4	\$ 2,618.1	\$ 2,716.8
Appropriations			
Budget	2,392.2	2,445.1	2,561.0
Grants	38.5	38.4	38.5
Supplementals			
-enacted	19.3	142.0	
-estimated		18.0	200.0
Total Appropriations	2,450.0	2,643.5	2,799.5
Continuing and Encumbered			
Appropriations (prior year)	216.6	173.3	155.5
Total	2,666.6	2,816.8	2,955.0
Less: Continuing & Encumbered			
Appropriations (current year)	(173.3)	(155.5)	(160.0)
Reversions	(39.3)	(11.0)	(10.0)
Total Ordinary Expenditures	2,454.1	2,650.3	2,785.0
Balances:			
Operating Balance	(17.7)	(32.2)	(68.2)
Prior Year Cash Balance	481.8	464.0	431.8
Cumulative Cash Balance	464.0	431.8	363.6
Less: Continuing & Encumbered			
Appropriations (current year)	(173.3)	(155.5)	(160.0)
Reserve	(128.9)	(136.5)	(146.5)
Unencumbered Cash Balance	161.8	139.8	57.1
Appropriation Limit			
Cumulative Cash Balance (prior year)	481.8	464.0	431.8
Less: Continuing & Encumbered			
Appropriations (current year)	(216.6)	(173.3)	(155.5)
Reserve (prior year)	(128.0)	(128.9)	(136.5)
Unencumbered Cash Balance	137.1	161.8	139.8
+Net Fiscal Year Revenue	2,436.4	2,618.1	2,716.8
Total (100% Limit)	2,573.4	2,779.9	2,856.6
X 98% Limit	0.98	0.98	0.98
<b>APPROPRIATION LIMIT</b>	<b>\$ 2,522.0</b>	<b>\$ 2,724.3</b>	<b>\$ 2,799.5</b>

Figures represent DEFAC revenue and expenditure estimates as of the December 15, 2003 meeting, plus Governor's Recommended Revenue and Expenditure adjustments.

\*Amounts do not total due to rounding.

## FINANCIAL CHARTS

### BOND AND CAPITAL IMPROVEMENTS ACT ENACTED AND RECOMMENDED FUNDING SOURCES (\$ Thousand)

SOURCE	Enacted FY 2003	Enacted FY 2004	Governor's Recommended FY 2005
<b>STATE CAPITAL PROJECTS (NON-TRANSPORTATION)</b>			
General Obligation Bonds	\$ 118,240.0	\$ 125,700.0	\$ 135,840.0
Deauthorization of IRBs	170.0	180.0	-
First State Improvement Fund	25.0	-	-
Reversions and Reprogramming	42,091.5	40.0	-
Stripper Well Funds	200.0	-	-
Venture Capital Funds	-	-	2,700.0
Twenty-First Century Fund	2,400.0	1,000.0	500.0
General Funds	19,307.3	142,006.3	179,951.3
<b>Sub-Total (Non-Transportation):</b>	<b>\$ 182,433.8</b>	<b>\$ 268,926.3</b>	<b>\$ 318,991.3</b>
<b>TRANSPORTATION PROJECTS</b>			
Transportation Trust Fund	\$ 214,802.9	\$ 307,687.0	\$ 273,736.8
Transportation Trust Fund - Reauthorization	9,940.0	-	-
<b>Sub-Total (Transportation):</b>	<b>\$ 224,742.9</b>	<b>\$ 307,687.0</b>	<b>\$ 273,736.8</b>
<b>GRAND TOTAL:</b>	<b>\$ 407,176.7</b>	<b>\$ 576,613.3</b>	<b>\$ 592,728.1</b>